UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-35958

DIGITAL TURBINE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**22-2267658**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
110 San Antonio Street, Suite 160, Austin, TX	**78701**
(Address of Principal Executive Offices)	**(Zip Code)**

(512) 387-7717

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Common Stock, Par Value $0.0001 Per Share	**APPS**	**The Nasdaq Stock Market LLC (NASDAQ Capital Market)**
(Title of Class)	**(Trading Symbol)**	**(Name of Each Exchange on Which Registered)**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

As of August 1, 2022, the Company had 98,843,236 shares of its common stock, $0.0001 par value per share, outstanding.

DIGITAL TURBINE, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED June 30, 2022

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Digital Turbine, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets
(in thousands, except par value and share amounts)

	June 30, 2022 (Unaudited)	March 31, 2022
ASSETS		
Current assets		
Cash	$ 89,292	$ 126,768
Restricted cash	547	394
Accounts receivable, net	257,634	263,139
Prepaid expenses and other current assets	25,375	20,570
Total current assets	372,848	410,871
Property and equipment, net	33,828	31,086
Right-of-use assets	12,873	15,439
Intangible assets, net	426,909	440,589
Goodwill	554,963	559,792
Other non-current assets	590	732
TOTAL ASSETS	**$ 1,402,011**	**$ 1,458,509**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	$ 173,920	$ 167,858
Accrued license fees and revenue share	86,155	95,170
Accrued compensation	17,345	28,775
Acquisition purchase price liabilities	—	50,000
Short-term debt	—	12,500
Other current liabilities	38,577	30,960
Total current liabilities	315,997	385,263
Long-term debt, net of debt issuance costs	472,987	520,785
Deferred tax liabilities, net	22,205	19,976
Other non-current liabilities	12,789	16,270
Total liabilities	823,978	942,294
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at $0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of $1)	100	100
Common stock		
$0.0001 par value: 200,000,000 shares authorized; 99,515,747 issued and 98,757,622 outstanding at June 30, 2022; 97,921,826 issued and 97,163,701 outstanding at March 31, 2022	10	10
Additional paid-in capital	798,063	745,661
Treasury stock (758,125 shares at June 30, 2022, and March 31, 2022)	(71)	(71)
Accumulated other comprehensive loss	(45,090)	(39,341)
Accumulated deficit	(176,866)	(191,788)
Total stockholders' equity	576,146	514,571
Non-controlling interest	1,887	1,644
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,402,011**	**$ 1,458,509**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income / (Loss)[1]
(Unaudited)
(in thousands, except per share amounts)

	Three months ended June 30,	
	2022	2021
Net revenue	$ 188,633	$ 158,075
Costs of revenue and operating expenses		
License fees and revenue share	87,367	83,808
Other direct costs of revenue	8,915	4,468
Product development	14,133	12,924
Sales and marketing	16,058	13,736
General and administrative	37,725	23,994
Total costs of revenue and operating expenses	164,198	138,930
Income from operations	24,435	19,145
Interest and other income / (expense), net		
Interest expense, net	(4,082)	(1,157)
Foreign exchange transaction loss	(331)	(270)
Other income / (expense), net	72	(35)
Total interest and other income / (expense), net	(4,341)	(1,462)
Income before income taxes	20,094	17,683
Income tax provision	5,136	3,430
Net income	14,958	14,253
Less: net income / (loss) attributable to non-controlling interest	36	(31)
Net income attributable to Digital Turbine, Inc.	14,922	14,284
Other comprehensive loss		
Foreign currency translation adjustment	(5,542)	(20,781)
Comprehensive income / (loss)	9,416	(6,528)
Less: comprehensive income / (loss) attributable to non-controlling interest	243	(793)
Comprehensive income / (loss) attributable to Digital Turbine, Inc.	$ 9,173	$ (5,735)
Net income per common share		
Basic	$ 0.15	$ 0.16
Diluted	$ 0.15	$ 0.14
Weighted-average common shares outstanding		
Basic	97,822	91,585
Diluted	102,686	98,822

[1]In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3 in the accompanying condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows[1]
(Unaudited)
(in thousands)

	Three months ended June 30, 2022	Three months ended June 30, 2021
Cash flows from operating activities		
Net income	$ 14,958	$ 14,253
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Depreciation and amortization	19,929	8,653
Non-cash interest expense	210	127
Loss on extinguishment of debt	—	—
Stock-based compensation expense	6,244	3,705
Foreign exchange transaction (gain) / loss	331	—
Change in fair value of warrant liability	—	
Change in fair value of contingent consideration	—	—
Payment of contingent consideration in excess of amount capitalized at acquisition	—	—
Right-of-use asset	2,654	628
Deferred income taxes	1,050	2,877
(Increase) / decrease in assets:		
Accounts receivable, gross	6,626	(48,817)
Allowance for credit losses	886	26
Prepaid expenses and other current assets	(4,967)	(4,492)
Other non-current assets	212	160
Increase / (decrease) in liabilities:		
Accounts payable	5,718	35,396
Accrued license fees and revenue share	(9,433)	3,573
Accrued compensation	(11,585)	(46,956)
Other current liabilities	7,368	2,455
Other non-current liabilities	(3,572)	(585)
Net cash provided by / (used in) operating activities	**36,629**	**(28,997)**
Cash flows from investing activities		
Business acquisitions, net of cash acquired	—	(126,604)
Capital expenditures	(6,413)	(4,364)
Net cash used in investing activities	**(6,413)**	**(130,968)**
Cash flows from financing activities		
Payment of contingent consideration	—	—
Proceeds from borrowings	—	237,041
Payment of debt issuance costs	—	(2,988)
Payment of deferred business acquisition consideration	—	—
Options and warrants exercised	296	695
Payment of withholding taxes for net share settlement of equity awards	(4,357)	—
Repayment of debt obligations	(60,508)	(19,680)
Net cash provided by / (used in) financing activities	**(64,569)**	**215,068**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(2,970)	(2,209)
Net change in cash and cash equivalents and restricted cash	**(37,323)**	**52,894**
Cash and cash equivalents and restricted cash, beginning of period	127,162	31,118
Cash and cash equivalents and restricted cash, end of period	$ 89,839	$ 84,012
Supplemental disclosure of cash flow information		
Interest paid	$ 3,340	$ 337
Income taxes paid	$ 445	$ 311
Supplemental disclosure of non-cash activities		
Common stock issued for the acquisition of Fyber	$ 50,000	$ 359,233
Unpaid contingent consideration with equity for the acquisition of Fyber minority interest	$ —	$ 24,558
Fair value of unpaid contingent consideration in connection with business acquisition	$ 2,578	$ 213,413

[1]In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3 in the accompanying condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity[1]
(Unaudited)
(in thousands, except share counts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total
Balance at March 31, 2022	97,163,701	$ 10	100,000	$ 100	758,125	$ (71)	$ 745,661	$ (39,341)	$ (191,788)	$ 1,644	$ 516,215
Net income	—	—	—	—	—	—	—	—	14,922	36	14,958
Foreign currency translation	—	—	—	—	—	—	—	(5,749)	—	207	(5,542)
Stock-based compensation expense	—	—	—	—	—	—	6,463	—	—	—	6,463
Shares issued:											
Exercise of stock options	380,176	—	—	—	—	—	296	—	—	—	296
Issuance of restricted shares and vesting of restricted units	7,763	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	1,205,982	—	—	—	—	—	50,000	—	—	—	50,000
Payment of withholding taxes related to the net share settlement of equity awards	—	—	—	—	—	—	(4,357)	—	—	—	(4,357)
Balance at June 30, 2022	98,757,622	$ 10	100,000	$ 100	758,125	$ (71)	$ 798,063	$ (45,090)	$ (176,866)	$ 1,887	$ 578,033

[1]In the fiscal quarter ended June 30, 2021, the Company initiated two significant acquisitions. Please refer to Note 3 in the accompanying condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity[1]
(Unaudited)
(in thousands, except share counts)

	Common Stock Shares*	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares*	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total
Balance at March 31, 2021	89,790,086	$ 10	100,000	$ 100	758,125	$ (71)	$ 373,310	$ (903)	$ (227,334)	$ —	$ 145,112
Net income	—	—	—	—	—	—	—	—	14,284	(31)	14,253
Foreign currency translation	—	—	—	—	—	—	—	(20,019)	—	(762)	(20,781)
Stock-based compensation expense	—	—	—	—	—	—	3,705	—	—	—	3,705
Shares issued:											
Exercise of stock options	178,127	—	—	—	—	—	695	—	—	—	695
Vesting of restricted and performance stock units	207,758	—	—	—	—	—	—	—	—	—	—
Shares for acquisition of Fyber	4,716,935	—	—	—	—	—	359,233	—	—	—	359,233
Acquisition of non-controlling interests in Fyber	—	—	—	—	—	—	—	—	—	24,558	24,558
Balance at June 30, 2021	94,892,906	$ 10	100,000	$ 100	758,125	$ (71)	$ 736,943	$ (20,922)	$ (213,050)	$ 23,765	$ 526,775

*De minimis adjustment to previously disclosed share count; no impact on quarter-to-date or year-to-date earnings per share in any period presented.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Digital Turbine, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements
June 30, 2022
(in thousands, except share and per share amounts)

1. Description of Business

Digital Turbine, Inc., through its subsidiaries (collectively "Digital Turbine" or the "Company"), is a leading, independent mobile growth platform that levels up the landscape for advertisers, publishers, carriers, and device original equipment manufacturers ("OEMs"). The Company offers end-to-end products and solutions leveraging proprietary technology to all participants in the mobile application ecosystem, enabling brand discovery and advertising, user acquisition and engagement, and operational efficiency for advertisers. In addition, our products and solutions provide monetization opportunities for OEMs, carriers, and application ("app" or "apps") publishers and developers.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). The condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The Company consolidates the financial results and reports non-controlling interests representing the economic interests held by other equity holders of subsidiaries that are not 100% owned by the Company. The calculation of non-controlling interests excludes any net income / (loss) attributable directly to the Company. All intercompany balances and transactions have been eliminated in consolidation.

These financial statements should be read in conjunction with the Company's audited financial statements and related notes included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022.

Unaudited Interim Financial Information

These accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, considered necessary to present fairly the Company's financial condition, results of operations, comprehensive income, stockholders' equity, and cash flows for the interim periods indicated. The results of operations for the three months ended June 30, 2022, are not necessarily indicative of the operating results for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Significant estimates and assumptions reflected in the financial statements include revenue recognition, including the determination of gross versus net revenue reporting, allowance for credit losses, stock-based compensation, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, fair value of contingent earn-out considerations (please see Note 13, "Commitments and Contingencies," for further information on the fair value of the Company's contingent earn-out considerations), incremental borrowing rates for right-of-use assets and lease liabilities, and tax valuation allowances. These estimates are based on information available as of the date of the financial statements; therefore, actual results could differ materially from management's estimates using different assumptions or under different conditions.

In light of the ongoing COVID-19 pandemic, management has considered the impacts of the COVID-19 pandemic on the Company's critical and significant accounting estimates. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates or judgments or revise the carrying value of its assets or liabilities as a result of the COVID-19 pandemic.

Management's estimates may change as new events occur and additional information is obtained. Actual results could differ from estimates and any such differences may be material to the Company's condensed consolidated financial statements.

Summary of Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies in Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," of the notes to the consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022, other than the "Recent Accounting Pronouncements" disclosed below and changes to the Company's segment reporting disclosed in Note 4, "Segment Information."

Recent Accounting Pronouncements

ASU 2020-04

In March 2020, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Inter-Bank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The amendments are effective for all entities through December 31, 2022, and can be adopted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020. The Company is continuing to assess ASU 2020-04 and its impact on the Company's consolidated financial statements.

3. Acquisitions

Acquisition of Fyber N.V.

On May 25, 2021, the Company completed the initial closing of the acquisition of 95.1% of the outstanding voting shares (the "Majority Fyber Shares") of Fyber N.V. ("Fyber") pursuant to a Sale and Purchase Agreement (the "Fyber Acquisition") between Tennor Holding B.V., Advert Finance B.V., and Lars Windhorst (collectively, the "Seller"), the Company, and Digital Turbine Luxembourg S.ar.l., a wholly-owned subsidiary of the Company. The remaining outstanding shares in Fyber (the "Minority Fyber Shares") are (to the Company's knowledge) held by other shareholders of Fyber (the "Minority Fyber Shareholders") and are presented as non-controlling interests within these financial statements.

Fyber is a leading mobile advertising monetization platform empowering global app developers to optimize profitability through quality advertising. Fyber's proprietary technology platform and expertise in mediation, real-time bidding, advanced analytics tools, and video combine to deliver publishers and advertisers a highly valuable app monetization solution. Fyber represents an important and strategic addition for the Company in its mission to develop one of the largest full-stack, fully-independent, mobile advertising solutions in the industry. The combined platform offering is advantageously positioned to leverage the Company's existing on-device software presence and global distribution footprint.

The Company acquired Fyber in exchange for an estimated aggregate consideration of up to $600,000, consisting of:

i. Approximately $150,000 in cash, $124,336 of which was paid to the Seller at the closing of the acquisition and the remainder of which is to be paid to the Minority Fyber Shareholders for the Minority Fyber Shares pursuant to the tender offer described below;

ii. 5,816,588 newly-issued shares of common stock of the Company to the Seller, which such number of shares was determined based on the volume-weighted average price of the common stock on NASDAQ during the 30-day period prior to the closing date, equal in value to $359,233 at the Company's common stock closing price on May 25, 2021, as follows.

    1. 3,216,935 newly-issued shares of common stock of the Company equal in value to $198,678, issued at the closing of the acquisition;

    2. 1,500,000 newly-issued shares of common stock of the Company equal in value to $92,640, issued on June 17, 2021;

    3. 1,040,364 newly-issued shares of common stock of the Company equal in value to $64,253, issued on July 16, 2021;

4. 59,289 shares of common stock equal in value to $3,662, to be newly-issued during the Company's fiscal second quarter 2022, but subject to a true-up reduction based on increased transaction costs associated with the staggered delivery of the Majority Fyber Shares to the Company, which true-up reduction has been finalized, as described below; and

iii. Contingent upon Fyber's net revenue (revenue less associated license fees and revenue share) being equal to or higher than $100,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, a certain number of shares of the Company's common stock, which will be newly-issued to the Seller at the end of the earn-out period, and under certain circumstances, an amount of cash, which value of such shares, based on the weighted average share price for the 30-days prior to the end of the earn-out period, and cash in aggregate, will not exceed $50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

The Company paid the cash closing amount on the closing date with a combination of available cash-on-hand and borrowings under the Company's senior credit facility.

On September 30, 2021, the Company entered into the Second Amendment Agreement (the "Second Amendment Agreement") to the Sale and Purchase Agreement for the Fyber Acquisition. Pursuant to the Second Amendment Agreement, the parties agreed to settle the remaining number of shares of Company common stock to be issued to the Seller at 18,000 shares (i.e., a reduction of 41,289 shares from the 59,289 shares described in (ii)(4) above). As a result, the Company issued a total of 5,775,299 shares of Company common stock to the Seller in connection with the Company's acquisition of Fyber.

As of March 31, 2022, the Company had recognized the acquisition purchase price liability of $50,000. The Company settled the obligation through the issuance of 1,205,982 shares of the Company's common stock on May 19, 2022.

Pursuant to certain German law on public takeovers, following the closing, the Company launched a public tender offer to the Minority Fyber Shareholders to acquire from them the Minority Fyber Shares. The tender offer was approved and published in July 2021, and is subject to certain minimum price rules under German law. The timing and the conditions of the tender offer, including the consideration of €0.84 per share offered to the Minority Fyber Shareholders in connection with the tender offer, was determined by the Company pursuant to the applicable Dutch and German takeover laws. During the fiscal year ended March 31, 2022, the Company purchased an additional $18,341 of Fyber's outstanding shares, resulting in an ownership percentage of Fyber of approximately 99.5% as of June 30, 2022. The Company expects to complete the purchase of the remaining outstanding Fyber shares during fiscal year 2023.

The delisting of Fyber's remaining outstanding shares on the Frankfurt Stock Exchange was completed on August 6, 2021.

The fair values of the assets acquired and liabilities assumed at the date of acquisition are presented as follows[1]:

	May 25, 2021	Measurement Period Adjustments	May 25, 2021 (adjusted)
Assets acquired			
Cash	$ 71,489	$ —	$ 71,489
Accounts receivable	64,877	166	65,043
Other current assets	10,470	—	10,470
Property and equipment	1,561	—	1,561
Right-of-use asset	13,191	—	13,191
Publisher relationships	106,400	(95)	106,305
Developed technology	86,900	—	86,900
Trade names	32,100	474	32,574
Customer relationships	31,400	—	31,400
Favorable lease	1,483	—	1,483
Goodwill	303,015	(2,572)	300,443
Other non-current assets	851	—	851
Total assets acquired	**$ 723,737**	**$ (2,027)**	**$ 721,710**
Liabilities assumed			
Accounts payable	$ 78,090	$ (1,501)	$ 76,589
Accrued license fees and revenue share	5,929	—	5,929
Accrued compensation	52,929	—	52,929
Other current liabilities	12,273	(1,739)	10,534
Short-term debt	25,789	—	25,789
Deferred tax liability, net	25,213	3,627	28,840
Other non-current liabilities	15,386	—	15,386
Total liabilities assumed	**$ 215,609**	**$ 387**	**$ 215,996**
Total purchase price	**$ 508,128**	**$ (2,414)**	**$ 505,714**

During the measurement period ended May 25, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by $2,572, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

The excess of cost of the Fyber Acquisition over the net amounts assigned to the fair values of the net assets acquired was recorded as goodwill and was assigned to the Company's App Growth Platform ("AGP") segment. The goodwill consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not deductible for tax purposes.

The identifiable intangible assets consist of publisher relationships, developed technology, trade names, customer relationships, and a favorable lease. The publisher relationships, developed technology, trade names, and customer relationships intangibles were assigned useful lives of 20.0 years, 7.0 years, 7.0 years, and 3.0 years, respectively. The below-market favorable lease was derived from Fyber's office lease in Berlin, Germany and, per ASC 842, *Leases*, will be combined with Fyber's right-of-use asset for that lease and will be amortized over the remaining life of that lease. The values for the identifiable intangible assets were determined using the following valuation methodologies:

- Publisher Relationships - Multi-Period Excess Earnings Method
- Developed Technology - Relief from Royalty Method
- Trade Names - Relief from Royalty Method
- Customer Relationships - With-and-Without Method
- Favorable Lease - Income Approach

[1] The purchase consideration was translated using the Euro-to-United States ("U.S.") dollar exchange rate in effect on the acquisition closing date, May 25, 2021, of approximately €1.00 to $ 1.22.

The Company recognized $560 and $3,599 of costs related to the Fyber Acquisition in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss) for the three months ended June 30, 2022 and 2021, respectively.

Acquisition of AdColony Holding AS

On April 29, 2021, the Company completed the acquisition of AdColony Holding AS, a Norway company (“AdColony”), pursuant to a Share Purchase Agreement (the "AdColony Acquisition"). The Company acquired all outstanding capital stock of AdColony in exchange for an estimated total consideration in the range of $400,000 to $425,000, to be paid as follows: (1) $100,000 in cash paid at closing (subject to customary closing purchase price adjustments), (2) $100,000 in cash to be paid six months after closing, and (3) an estimated earn-out in the range of $200,000 to $225,000, to be paid in cash, based on AdColony achieving certain future target net revenue, less associated cost of goods sold (as such term is referenced in the Share Purchase Agreement), over a 12-month period ending on December 31, 2021 (the “Earn-Out Period”). Under the terms of the earn-out, the Company would pay the seller a certain percentage of actual net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) of AdColony, depending on the extent to which AdColony achieves certain target net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) over the Earn-Out Period. The earn-out payment will be made following the expiration of the Earn-Out Period.

AdColony is a leading mobile advertising platform servicing advertisers and publishers. AdColony’s proprietary video technologies and rich media formats are widely viewed as a best-in-class technology delivering third-party verified viewability rates for well-known global brands. With the addition of AdColony, the Company expanded its collective experience, reach, and suite of capabilities to benefit mobile advertisers and publishers around the globe. Performance-based spending trends by large, established brand advertisers present material upside opportunities for platforms with unique technology deployable across exclusive access to inventory.

On August 27, 2021, the Company entered into an Amendment to Share Purchase Agreement (the “Amendment Agreement”) with AdColony and Otello Corporation ASA, a Norway company and AdColony's previous parent company. Pursuant to the Amendment Agreement, the Company and Otello agreed to set a fixed dollar amount of $204,500 for the earn-out payment obligation, to set January 15, 2022, as the payment due date for such payment amount, and to eliminate all of the Company’s earn-out support obligations under the Share Purchase Agreement. As a result, the Company recognized an $8,913 reduction of the earn-out payment obligation in change in fair value of contingent consideration on the condensed consolidated statement of operations and comprehensive income / (loss) for the fiscal second quarter ended September 30, 2021.

The Company paid the cash consideration amounts that were due at closing and on October 26, 2021, with a combination of available cash-on-hand and borrowings under the Company’s senior credit facility. The payment made on October 26, 2021, was reduced to $98,175 due to an adjustment for the impact of accrued and unpaid taxes to the net working capital acquired. The difference between the amount due of $100,000 and amount paid resulted in an adjustment to goodwill.

On January 15, 2022, the Company paid the AdColony Acquisition earn-out consideration of $204,500 with available cash-on-hand and an additional $179,000 of borrowings under the New Credit Agreement.

The fair values of the assets acquired and liabilities assumed at the date of acquisition are presented as follows:

	April 29, 2021	Measurement Period Adjustments	April 29, 2021 (adjusted)
Assets acquired			
Cash	$ 24,793	$ —	$ 24,793
Accounts receivable	57,285	—	57,285
Other current assets	1,845	—	1,845
Property and equipment	1,566	—	1,566
Right-of-use asset	2,460	—	2,460
Customer relationships	102,400	(600)	101,800
Developed technology	51,100	—	51,100
Trade names	36,100	(100)	36,000
Publisher relationships	4,400	—	4,400
Goodwill	202,552	(3,502)	199,050
Other non-current assets	131	—	131
Total assets acquired	**$ 484,632**	**$ (4,202)**	**$ 480,430**
Liabilities assumed			
Accounts payable	$ 21,140	$ —	$ 21,140
Accrued license fees and revenue share	28,920	—	28,920
Accrued compensation	8,453	—	8,453
Other current liabilities	1,867	—	1,867
Deferred tax liability, net	10,520	(2,377)	8,143
Other non-current liabilities	1,770	—	1,770
Total liabilities assumed	**$ 72,670**	**$ (2,377)**	**$ 70,293**
Total purchase price	**$ 411,962**	**$ (1,825)**	**$ 410,137**

During the measurement period ended April 29, 2022, the Company recorded a cumulative net measurement period adjustment that decreased goodwill by $3,502, as presented in the table above. The Company made these measurement period adjustments to reflect facts and circumstances that existed as of the acquisition date and did not result from intervening events subsequent to such date.

The excess of cost of the AdColony Acquisition over the net amounts assigned to the fair values of the net assets acquired was recorded as goodwill and was assigned to the Company's AGP segment. The goodwill consists largely of the expected cash flows and future growth anticipated for the Company. The goodwill is not deductible for tax purposes.

The identifiable intangible assets consist of customer relationships, developed technology, trade names, and publisher relationships and were assigned useful lives of 8.0 years to 15.0 years, 7.0 years, 7.0 years, and 10.0 years, respectively. The values for the identifiable intangible assets were determined using the following valuation methodologies:

- Customer Relationships - Multi-Period Excess Earnings Method
- Developed Technology - Relief from Royalty Method
- Trade Names - Relief from Royalty Method
- Publisher Relationships - Cost Approach

The Company recognized $150 and $2,871 of costs related to the AdColony Acquisition in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss) for the three months ended June 30, 2022 and 2021, respectively.

Pro Forma Financial Information (Unaudited)

The pro forma information below gives effect to the Fyber Acquisition and the AdColony Acquisition (collectively, the "Acquisitions") as if they had been completed on the first day of each period presented. The pro forma results of operations are presented for information purposes only. As such, they are not necessarily indicative of the Company's results had the Acquisitions been completed on the first day of each period presented, nor do they intend to represent the Company's future results. The pro forma information does not reflect any cost savings from operating efficiencies or synergies that could result from the Acquisitions and does not reflect additional revenue opportunities following the Acquisitions. The pro forma information includes adjustments to record the assets and liabilities associated with the Acquisitions at their respective fair values, based on available information and to give effect to the financing for the Acquisitions.

	Three months ended June 30,	
	2021	
	Unaudited	
	(in thousands, except per share amounts)	
Net revenue	$	180,472
Net income / (loss) attributable to controlling interest	$	(18,417)
Basic net income / (loss) attributable to controlling interest per common share	$	(0.20)
Diluted net income / (loss) attributable to controlling interest per common share	$	(0.20)

4. Segment Information

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker ("CODM") in making decisions regarding resource allocation and assessing performance. The Company has determined that its Chief Executive Officer is the CODM.

As of March 31, 2022, the Company operated throughthree operating segments, each of which was a reportable segment. The three segments were On Device Media ("ODM"), In-App Media - AdColony ("IAM-A"), and In-App Media-Fyber ("IAM-F"). Effective April 1, 2022, the Company made certain changes to its organizational and management structure that resulted in the following: (1) the renaming of the On Device Media segment to On Device Solutions and (2) the integration of IAM-A and IAM-F into a single segment. The integration of IAM-A and IAM-F was completed to drive operating efficiencies and revenue synergies. As a result of the integration of IAM-A and IAM-F, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting.* Effective April 1, 2022, the Company reports its results of operations through the following two segments, each of which represents an operating and reportable segment, as follows:

- **On Device Solutions ("ODS") -** The Company re-named the ODM segment On Device Solutions to better reflect the nature of the segment's product offerings. This segment generates revenue from the delivery of mobile application media or content to end users. This segment provides focused solutions to all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device, including mobile carriers and device OEMs that participate in the app economy, app publishers and developers, and brands and advertising agencies. This segment's product offerings are enabled through relationships with mobile device carriers and OEMs.

- **App Growth Platform ("AGP") -** This segment consists of the previously reported IAM-A and IAM-F segments. AGP customers are primarily advertisers and publishers and the segment provides platforms that allows mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The AGP platforms allow demand side platforms, advertisers, agencies, and publishers to buy and sell digital ad impressions, primarily through programmatic, real-time bidding auctions and, in some cases, through direct-bought/sold advertiser budgets. The segment also provides brand and performance advertising products to advertisers and agencies.

The Company's CODM evaluates segment performance and makes resource allocation decisions primarily through the metric of net revenue less associated license fees and revenue share, as shown in the segment information summary table below. The Company's CODM does not allocate other direct costs of revenue, operating expenses, interest and other income / (expense), net, or provision for income taxes to these segments for the purpose of evaluating segment performance. Additionally, the Company does not allocate assets to segments for internal reporting purposes as the CODM does not manage the Company's segments by such metrics.

A summary of segment information follows:

	Three months ended June 30, 2022			
	ODS	AGP	Elimination	Consolidated
Net revenue	$ 118,637	$ 72,366	$ (2,370)	$ 188,633
License fees and revenue share	68,450	21,287	(2,370)	87,367
Segment profit	$ 50,187	$ 51,079	$ —	$ 101,266

	Three months ended June 30, 2021			
	ODS	AGP	Elimination	Consolidated
Net revenue	$ 120,383	$ 39,474	$ (1,782)	$ 158,075
License fees and revenue share	70,031	15,559	(1,782)	83,808
Segment profit	$ 50,352	$ 23,915	$ —	$ 74,267

Geographic Area Information

Long-lived assets, excluding deferred tax assets and intangible assets, by region follow:

	June 30, 2022	March 31, 2022
United States and Canada	$ 27,270	$ 25,946
Europe, Middle East, and Africa	6,514	5,086
Asia Pacific and China	44	54
Mexico, Central America, and South America	—	—
Consolidated property and equipment, net	$ 33,828	$ 31,086

Net revenue by geography is based on the billing addresses of the Company's customers and a reconciliation of disaggregated revenue by segment follows:

	Three months ended June 30, 2022		
	ODS	AGP	Consolidated
United States and Canada	$ 62,963	$ 46,238	$ 109,201
Europe, Middle East, and Africa	40,544	19,415	59,959
Asia Pacific and China	13,874	6,124	19,998
Mexico, Central America, and South America	1,256	589	1,845
Elimination	—	—	(2,370)
Consolidated net revenue	$ 118,637	$ 72,366	$ 188,633

	Three months ended June 30, 2021		
	ODS	AGP	Consolidated
United States and Canada	$ 71,131	$ 20,610	$ 91,741
Europe, Middle East, and Africa	30,060	13,639	43,699
Asia Pacific and China	16,790	4,708	21,498
Mexico, Central America, and South America	2,402	517	2,919
Elimination	—	—	(1,782)
Consolidated net revenue	$ 120,383	$ 39,474	$ 158,075

5. Goodwill and Intangible Assets

Goodwill

Changes in the carrying amount of goodwill, net, by segment follows:

	ODS	AGP	Consolidated
Goodwill as of March 31, 2022	$ 80,176	$ 479,616	$ 559,792
Foreign currency translation and purchase price adjustments	—	(4,829)	(4,829)
Goodwill as of June 30, 2022	$ 80,176	$ 474,787	$ 554,963

Intangible Assets

The components of intangible assets as of June 30, 2022, and March 31, 2022, were as follows:

	As of June 30, 2022			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	12.26 years	$ 170,057	$ (24,894)	$ 145,163
Developed technology	6.02 years	146,144	(23,566)	122,578
Trade names	3.08 years	69,865	(13,243)	56,622
Publisher relationships	18.56 years	108,638	(6,092)	102,546
Total		$ 494,704	$ (67,795)	$ 426,909

	As of March 31, 2022			
	Weighted-Average Remaining Useful Life	Cost	Accumulated Amortization	Net
Customer relationships	12.01 years	$ 171,060	$ (19,636)	$ 151,424
Developed technology	6.26 years	144,581	(18,103)	126,478
Trade names	3.33 years	69,205	(8,523)	60,682
Publisher relationships	18.77 years	106,514	(4,509)	102,005
Total		$ 491,360	$ (50,771)	$ 440,589

The Company recorded amortization expense of $16,117 during the three months ended June 30, 2022, and $7,101 during the three months ended June 30, 2021, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss). As of March 31, 2022, the Company changed the useful lives of all its trade names intangible assets to approximately 3.33 years due to the planned rebranding of the Company's recent acquisitions, which began during the three months ended June 30, 2022.

Estimated amortization expense in future fiscal years is expected to be:

Fiscal year 2023	$ 48,226
Fiscal year 2024	64,301
Fiscal year 2025	55,696
Fiscal year 2026	41,459
Fiscal year 2028	35,346
Thereafter	181,881
Total	$ 426,909

6. Accounts Receivable

	June 30, 2022	March 31, 2022
Billed	$ 182,432	$ 189,208
Unbilled	84,113	82,324
Allowance for credit losses	(8,911)	(8,393)
Accounts receivable, net	$ 257,634	$ 263,139

Billed accounts receivable represent amounts billed to customers for which the Company has an unconditional right to consideration. Unbilled accounts receivable represents revenue recognized but billed after period-end. All unbilled receivables as of June 30, 2022, and March 31, 2022, are expected to be billed and collected (subject to the allowance for credit losses) within twelve months.

Allowance for Credit Losses

The Company maintains reserves for current expected credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, current economic trends, and changes in customer payment patterns to evaluate the adequacy of these reserves.

The Company recorded $886 of bad debt expense during the three months ended June 30, 2022, and $108 of bad debt expense during the three months ended June 30, 2021, in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

7. Property and Equipment

	June 30, 2022	March 31, 2022
Computer-related equipment	$ 2,869	$ 2,855
Developed software	47,173	41,011
Furniture and fixtures	1,752	1,836
Leasehold improvements	3,622	3,687
Property and equipment, gross	55,416	49,389
Accumulated depreciation	(21,588)	(18,303)
Property and equipment, net	$ 33,828	$ 31,086

Depreciation expense was $3,815 for the three months ended June 30, 2022, and $1,552 for the three months ended June 30, 2021. Depreciation expense for the three months ended June 30, 2022, includes $2,615 related to internal-use software included in general and administrative expense and $1,200 related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue. Depreciation expense for the three months ended June 30, 2021, includes $860 related to internal-use software included in general and administrative expense and $692 related to internally-developed software to be sold, leased, or otherwise marketed included in other direct costs of revenue.

8. Leases

The Company has entered into various non-cancellable operating lease agreements for certain offices as well as assumed various leases through its recent acquisitions. These leases currently have lease periods expiring between fiscal years 2023 and 2029. The lease agreements may include one or more options to renew. Renewals were not assumed in the Company's determination of the lease term unless the renewals were deemed to be reasonably assured at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The components of lease costs, weighted-average lease term, and discount rates are detailed below.

Schedule, by fiscal year, of maturities of lease liabilities as of:

		June 30, 2022
Fiscal year 2023	$	3,349
Fiscal year 2024		4,059
Fiscal year 2025		2,974
Fiscal year 2026		2,519
Fiscal year 2027		1,319
Thereafter		1,519
Total undiscounted cash flows		15,739
(Less imputed interest)		(1,281)
Present value of lease liabilities	$	14,458

The current portion of the Company's lease liabilities, payable within the next 12 months, is included inother current liabilities, and the long-term portion of the Company's lease liabilities is included in other non-current liabilities on the condensed consolidated balance sheets.

Associated with these financial liabilities, the Company has right-of-use assets of $12,873 as of June 30, 2022, which is calculated using the present value of lease liabilities less any lease incentives received from landlords and any deferred rent liability balances as of the date of implementation. The discount rates used to calculate the imputed interest above range from 2.00% to 6.75% and the weighted-average remaining lease term is 4.40 years.

9. Debt

The following table summarizes borrowings under the Company's debt obligations and the associated interest rates:

	June 30, 2022			
		Balance	Interest Rate	Unused Line Fee
BoA Revolver (subject to variable rate)	$	476,134	3.38 %	0.30 %

Debt obligations on the condensed consolidated balance sheets consist of the following:

		June 30, 2022		March 31, 2022
Revolver	$	476,134	$	524,134
Less: Debt issuance costs		(3,147)		(3,349)
Debt assumed through Fyber Acquisition		—		12,500
Total debt, net		472,987		533,285
Less: Current portion of debt		—		(12,500)
Non-current debt	$	472,987	$	520,785

Revolver

On February 3, 2021, the Company entered into a credit agreement (the "Credit Agreement") with Bank of America, N.A. ("BoA"), which provides for a revolving line of credit (the "Revolver") of up to $100,000 with an accordion feature enabling the Company to increase the total amount up to $200,000. Funds are to be used for acquisitions, working capital, and general corporate purposes. The Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated leverage ratio and minimum fixed charge coverage ratio.

On April 29, 2021, the Company amended and restated the Credit Agreement (the "New Credit Agreement") with BoA, as a lender and administrative agent, and a syndicate of other lenders, which provided for a revolving line of credit of up to $400,000. The revolving line of credit matures on April 29, 2026, and contains an accordion feature enabling the Company to increase the total amount of the revolver by $75,000 plus an amount that would enable the Company to remain in compliance with its consolidated secured net leverage ratio, on such terms as agreed to by the parties. The New Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio.

On December 29, 2021, the Company amended the New Credit Agreement (the "First Amendment"), which provides for an increase in the revolving line of credit by $125,000, which increased the maximum aggregate principal amount of the revolving line of credit to $600,000, including the accordion feature. The First Amendment made no other changes to the term or interest rates of the New Credit Agreement.

The Company incurred debt issuance costs of $4,064 for the New Credit Agreement, inclusive of costs incurred for the First Amendment. The Company had $476,134 drawn against the New Credit Agreement, classified as long-term debt on the condensed consolidated balance sheet, with remaining unamortized debt issuance costs of $3,147 as of June 30, 2022. Deferred debt issuance costs associated with the New Credit Agreement and First Amendment are recorded as a reduction of the carrying value of the debt on the condensed consolidated balance sheets. All deferred debt issuance costs are amortized on a straight-line basis over the term of the loan to interest expense.

Amounts outstanding under the New Credit Agreement accrue interest at an annual rate equal to, at the Company’s election, (i) LIBOR plus between 1.50% and 2.25%, based on the Company’s consolidated leverage ratio, or (ii) a base rate based upon the highest of (a) the federal funds rate plus 0.50%, (b) BoA's prime rate, or (c) LIBOR plus 1.00% plus between 0.50% and 1.25%, based on the Company’s consolidated leverage ratio. Additionally, the New Credit Agreement is subject to an unused line of credit fee between 0.15% and 0.35% per annum, based on the Company’s consolidated leverage ratio. As of June 30, 2022, the interest rate was 3.38% and the unused line of credit fee was 0.30%.

The Company’s payment and performance obligations under the New Credit Agreement and related loan documents are secured by its grant of a security interest in substantially all of its personal property assets, whether now existing or hereafter acquired, subject to certain exclusions. If the Company acquires any real property assets with a fair market value in excess of $5,000, it is required to grant a security interest in such real property as well. All such security interests are required to be first priority security interests, subject to certain permitted liens.

As of June 30, 2022, the Company had $123,866 available to draw on the revolving line of credit under the New Credit Agreement and was in compliance with all covenants. The fair value of the Company’s outstanding debt approximates its carrying value.

Interest income / (expense), net

Interest income / (expense), net, amortization of debt issuance costs, and unused line of credit fees were recorded in interest and other income / (expense), net, on the condensed consolidated statements of operations and comprehensive income / (loss), as follows:

	Three months ended June 30,	
	2022	2021
Interest income / (expense), net	$ (3,862)	$ (919)
Amortization of debt issuance costs	(210)	(132)
Unused line of credit fees and other	(10)	(106)
Total interest income / (expense), net	$ (4,082)	$ (1,157)

10. Stock-Based Compensation

Stock-Based Award Plans

On September 15, 2020, the Company’s stockholders approved the 2020 Equity Incentive Plan of Digital Turbine, Inc. (the “2020 Plan”), pursuant to which the Company may grant equity incentive awards to directors, employees and other eligible participants. A total of 12,000,000 shares of common stock were reserved for grant under the 2020 Plan. The types of awards that may be granted under the 2020 Plan include incentive and non-qualified stock options, stock appreciation rights, restricted stock, and restricted stock units. The 2020 Plan became effective on September 15, 2020, and has a term of ten years. Stock options may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or non-qualified stock options. As of June 30, 2022, 9,841,579 shares of common stock were available for issuance as future awards under the Company's 2020 Plan.

The following table summarizes stock option activity:

	Number of Shares	Weighted-Average Exercise Price (per share)	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding as of March 31, 2022	7,123,300	$ 9.33	6.11	$ 262,419
Granted	971,267	35.25		
Exercised	(483,354)	1.26		
Forfeited / Expired	(85,991)	52.39		
Options outstanding as of June 30, 2022	7,525,222	$ 12.70	6.44	$ 83,558
Exercisable as of June 30, 2022	5,558,863	$ 5.88	5.55	$ 76,427

At June 30, 2022, total unrecognized stock-based compensation expense related to unvested stock options, net of estimated forfeitures, was $33,281, with an expected remaining weighted-average recognition period of 2.44 years.

Restricted Stock

Awards of restricted stock units ("RSUs") may be either grants of time-based restricted units or performance-based restricted units that are issued at no cost to the recipient. The cost of these awards is determined using the fair market value of the Company’s common stock on the date of the grant. No capital transaction occurs until the units vest, at which time they are converted to restricted or unrestricted stock. Compensation expense for RSUs with a time condition is recognized on a straight-line basis over the requisite service period. Compensation expense for RSUs with a performance condition are recognized on a straight-line basis based on the most likely attainment scenario, which is re-evaluated each period.

From time-to-time, the Company enters into restricted stock agreements (“RSAs”) with certain employees and consultants. The RSAs have performance conditions, market conditions, time conditions, or a combination thereof. In some cases, once the stock vests, the individual is restricted from selling the shares of stock for a certain defined period, from three months to one year, depending on the terms of the RSA. As reported in our Current Reports on Forms 8-K filed with the SEC on February 19, 2014, and June 25, 2014, the Company adopted a Board Member Equity Ownership and Retention Policy that supersedes any post-vesting lock-up in RSAs that are applicable to people covered by the policy, which includes the Company’s Board of Directors and Chief Executive Officer.

The following table summarizes RSU and RSA activity:

	Number of Shares	Weighted-Average Grant Date Fair Value
Unvested restricted shares outstanding as of March 31, 2022	373,301	$ 35.82
Granted	690,431	31.25
Vested	(138,611)	13.52
Forfeited	(7,592)	57.45
Unvested restricted shares outstanding as of June 30, 2022	917,529	$ 35.57

At June 30, 2022, total unrecognized stock-based compensation expense related to RSUs and RSAs was $28,200, with an expected remaining weighted-average recognition period of 2.86 years.

Stock-Based Compensation Expense

Stock-based compensation expense for the three months ended June 30, 2022 and 2021, was $6,244 and $3,705, respectively, and was recorded within general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss).

11. Earnings per Share

Basic net income per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income per common share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period and including the dilutive effects of employee stock-based awards outstanding during the period.

Stock options totaling 1,529,761 and 309,882, for the 3 months ended June 30, 2022 and 2021, respectively, were outstanding but not included in the calculation of diluted earnings per share because inclusion of the options in the calculation would be antidilutive due to their exercise prices exceeding the average market price of the common shares during the periods.

The following table sets forth the computation of basic and diluted net income per share of common stock (in thousands, except per share amounts):

	Three months ended June 30,			
		2022		2021
Net income		14,958		14,2
Less: net income / (loss) attributable to non-controlling interest		36		(
Net income attributable to Digital Turbine, Inc.	$	14,922	$	14,2
Weighted-average common shares outstanding, basic		97,822		91,5
Basic net income per common share attributable to Digital Turbine, Inc.	$	0.15	$	0.
Weighted-average common shares outstanding, diluted		102,686		98,8
Diluted net income per common share attributable to Digital Turbine, Inc.	$	0.15	$	0.

12. Income Taxes

The Company's provision for income taxes as a percentage of pre-tax earnings (“effective tax rate”) is based on a current estimate of the annual effective income tax rate, adjusted to reflect the impact of discrete items. In accordance with ASC 740, *Accounting for Income Taxes*, jurisdictions forecasting losses that are not benefited due to valuation allowances are not included in our forecasted effective tax rate.

During the three months ended June 30, 2022, a tax provision of $5,136 resulted in an effective tax rate of25.6%. Differences between the tax provision and the statutory rate primarily relate to state income taxes, foreign inclusions, and one-time discrete items.

During the three months ended June 30, 2021, a tax provision of $3,430 resulted in an effective tax rate of19.4%. Differences between the tax provision and the statutory rate primarily related to state income taxes and tax deductions for stock compensation that exceeded the book expense.

13. Commitments and Contingencies

Hosting Agreements

The Company enters into hosting agreements with service providers and in some cases, those agreements include minimum commitments that require the Company to purchase a minimum amount of service over a specified time period ("the minimum commitment period"). The minimum commitment period is generally one-year in duration and the hosting agreements include multiple minimum commitment periods. Our minimum purchase commitments under these hosting agreements total approximately $205,269 over the next five years.

Legal Matters

The Company may be involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business. The Company accrues a liability when it is both probable a liability has been incurred and the amount of the loss can be reasonably estimated. The Company reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period such determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and, therefore, accruals have not been made.

On June 6, 2022 and July 21, 2022, shareholders of the Company filed class action complaints against the Company and certain of our officers in the Western District of Texas. The claims allege violations of certain federal securities law. The plaintiffs in both cases seek a ruling that the cases may proceed as class actions and seek unspecified damages and attorney fees and other costs. The Company and individual defendants deny any allegations of wrongdoing and we plan to vigorously defend against the claims asserted in these complaints. Due to the early stages of the complaints, management is unable to assess a likely outcome or potential liability at this time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the condensed consolidated financial statements and the notes thereto included in this Quarterly Report on Form 10-Q (the "Report"). The following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect," "will," "seeks," "should," "could," "would," "may," and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance, or achievements could differ materially from those expressed in or implied by these forward-looking statements as a result of a variety of factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, as well as those described elsewhere in this Report and in our other public filings. The risks included are not exhaustive and additional factors could adversely affect our business and financial performance. We operate in a very competitive and rapidly changing environment. New risk factors emerge from time-to-time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Historical operating results are not necessarily indicative of the trends in operating results for any future period. We do not undertake any obligation to update any forward-looking statements made in this Report. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends. This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

All numbers are in thousands, except share and per share amounts.

Company Overview

Digital Turbine, Inc., through its subsidiaries (collectively "Digital Turbine" or the "Company"), is a leading, independent mobile growth platform that levels up the landscape for advertisers, publishers, carriers, and device original equipment manufacturers ("OEMs"). The Company offers end-to-end products and solutions leveraging proprietary technology to all participants in the mobile application ecosystem, enabling brand discovery and advertising, user acquisition and engagement, and operational efficiency for advertisers. In addition, our products and solutions provide monetization opportunities for OEMs, carriers, and application ("app" or "apps") publishers and developers.

Recent Developments

Credit Agreement

On February 3, 2021, the Company entered into a credit agreement (the "Credit Agreement") with Bank of America, N.A. ("BoA"), which provides for a revolving line of credit (the "Revolver") of up to $100,000 with an accordion feature enabling the Company to increase the total amount up to $200,000. Funds are to be used for acquisitions, working capital, and general corporate purposes. The Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated leverage ratio and minimum fixed charge coverage ratio.

On April 29, 2021, the Company amended and restated the Credit Agreement (the "New Credit Agreement") with BoA, as a lender and administrative agent, and a syndicate of other lenders, which provided for a revolving line of credit of up to $400,000. The revolving line of credit matures on April 29, 2026, and contains an accordion feature enabling the Company to increase the total amount of the revolver by $75,000 plus an amount that would enable the Company to remain in compliance with its consolidated secured net leverage ratio, on such terms as agreed to by the parties. The New Credit Agreement contains customary covenants, representations, and events of default and also requires the Company to comply with a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio.

On December 29, 2021, the Company amended the New Credit Agreement (the "First Amendment"), which provides for an increase in the revolving line of credit by $125,000, which increased the maximum aggregate principal amount of the revolving line of credit to $600,000, including the accordion feature. The First Amendment made no other changes to the term or interest rates of the New Credit Agreement.

As of June 30, 2022, we had $476,134 drawn against the revolving line of credit under the New Credit Agreement. The proceeds were used to finance the acquisitions detailed below. As of June 30, 2022, the interest rate was 3.38% and the unused line of credit fee was 0.30%, and we were in compliance with the consolidated leverage ratio, interest coverage ratio, and other covenants under the New Credit Agreement.

Acquisitions

AdColony Holding AS. On April 29, 2021, the Company completed the acquisition of AdColony Holding AS, a Norway company (“AdColony”), pursuant to a Share Purchase Agreement (the "AdColony Acquisition"). The Company acquired all outstanding capital stock of AdColony in exchange for an estimated total consideration in the range of $400,000 to $425,000, to be paid as follows: (1) $100,000 in cash paid at closing (subject to customary closing purchase price adjustments), (2) $100,000 in cash to be paid six months after closing, and (3) an estimated earn-out in the range of $200,000 to $225,000, to be paid in cash, based on AdColony achieving certain future target net revenue, less associated cost of goods sold (as such term is referenced in the Share Purchase Agreement), over a 12-month period ending on December 31, 2021 (the “Earn-Out Period”). Under the terms of the earn-out, the Company would pay the seller a certain percentage of actual net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) of AdColony, depending on the extent to which AdColony achieves certain target net revenue (less associated cost of goods sold, as such term is referenced in the Share Purchase Agreement) over the Earn-Out Period. The earn-out payment will be made following the expiration of the Earn-Out Period.

AdColony is a leading mobile advertising platform servicing advertisers and publishers. AdColony’s proprietary video technologies and rich media formats are widely viewed as a best-in-class technology delivering third-party verified viewability rates for well-known global brands. With the addition of AdColony, the Company expanded its collective experience, reach, and suite of capabilities to benefit mobile advertisers and publishers around the globe. Performance-based spending trends by large, established brand advertisers present material upside opportunities for platforms with unique technology deployable across exclusive access to inventory.

On August 27, 2021, the Company entered into an Amendment to Share Purchase Agreement (the “Amendment Agreement”) with AdColony and Otello Corporation ASA, a Norway company and AdColony's previous parent company. Pursuant to the Amendment Agreement, the Company and Otello agreed to set a fixed dollar amount of $204,500 for the earn-out payment obligation, to set January 15, 2022, as the payment due date for such payment amount, and to eliminate all of the Company’s earn-out support obligations under the Share Purchase Agreement. As a result, the Company recognized an $8,913 reduction of the earn-out payment obligation in change in fair value of contingent consideration on the condensed consolidated statement of operations and comprehensive income / (loss) for the fiscal second quarter ended September 30, 2021.

The Company paid the cash consideration amounts that were due at closing and on October 26, 2021, with a combination of available cash-on-hand and borrowings under the Company’s senior credit facility. The payment made on October 26, 2021, was reduced to $98,175 due to an adjustment for the impact of accrued and unpaid taxes to the net working capital acquired. The difference between the amount due of $100,000 and amount paid resulted in an adjustment to goodwill.

On January 15, 2022, the Company paid the AdColony Acquisition earn-out consideration of $204,500 with available cash-on-hand and an additional $179,000 of borrowings under the New Credit Agreement.

The Company recognized $150 and $2,871 of costs related to the AdColony Acquisition in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss) for the three months ended June 30, 2022 and 2021, respectively.

Fyber N.V. On May 25, 2021, the Company completed the initial closing of the acquisition of 95.1% of the outstanding voting shares (the “Majority Fyber Shares”) of Fyber N.V. (“Fyber”) pursuant to a Sale and Purchase Agreement (the "Fyber Acquisition") between Tennor Holding B.V., Advert Finance B.V., and Lars Windhorst (collectively, the “Seller”), the Company, and Digital Turbine Luxembourg S.ar.l., a wholly-owned subsidiary of the Company. The remaining outstanding shares in Fyber (the “Minority Fyber Shares”) are (to the Company's knowledge) held by other shareholders of Fyber (the “Minority Fyber Shareholders”) and are presented as non-controlling interests within these financial statements.

Fyber is a leading mobile advertising monetization platform empowering global app developers to optimize profitability through quality advertising. Fyber’s proprietary technology platform and expertise in mediation, real-time bidding, advanced analytics tools, and video combine to deliver publishers and advertisers a highly valuable app monetization solution. Fyber represents an important and strategic addition for the Company in its mission to develop one of the largest full-stack, fully-independent, mobile advertising solutions in the industry. The combined platform offering is advantageously positioned to leverage the Company's existing on-device software presence and global distribution footprint.

The Company acquired Fyber in exchange for an estimated aggregate consideration of up to $600,000, consisting of:

i. Approximately $150,000 in cash, $124,336 of which was paid to the Seller at the closing of the acquisition and the remainder of which is to be paid to the Minority Fyber Shareholders for the Minority Fyber Shares pursuant to the tender offer described below;

ii. 5,816,588 newly-issued shares of common stock of the Company to the Seller, which such number of shares was determined based on the volume-weighted average price of the common stock on NASDAQ during the 30-day period prior to the closing date, equal in value to $359,233 at the Company's common stock closing price on May 25, 2021, as follows.

   1. 3,216,935 newly-issued shares of common stock of the Company equal in value to $198,678, issued at the closing of the acquisition;

   2. 1,500,000 newly-issued shares of common stock of the Company equal in value to $92,640, issued on June 17, 2021;

   3. 1,040,364 newly-issued shares of common stock of the Company equal in value to $64,253, issued on July 16, 2021;

   4. 59,289 shares of common stock equal in value to $3,662, to be newly-issued during the Company's fiscal second quarter 2022, but subject to a true-up reduction based on increased transaction costs associated with the staggered delivery of the Majority Fyber Shares to the Company, which true-up reduction has been finalized, as described below; and

iii. Contingent upon Fyber's net revenue (revenue less associated license fees and revenue share) being equal to or higher than $100,000 for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, a certain number of shares of the Company's common stock, which will be newly-issued to the Seller at the end of the earn-out period, and under certain circumstances, an amount of cash, which value of such shares, based on the weighted average share price for the 30-days prior to the end of the earn-out period, and cash in aggregate, will not exceed $50,000 (subject to set-off against certain potential indemnification claims against the Seller). Based on estimates at the time of the acquisition, the Company initially determined it was unlikely Fyber would achieve the earn-out net revenue target and, as a result, no contingent liability was recognized at that time.

The Company paid the cash closing amount on the closing date with a combination of available cash-on-hand and borrowings under the Company's senior credit facility.

On September 30, 2021, the Company entered into the Second Amendment Agreement (the "Second Amendment Agreement") to the Sale and Purchase Agreement for the Fyber Acquisition. Pursuant to the Second Amendment Agreement, the parties agreed to settle the remaining number of shares of Company common stock to be issued to the Seller at 18,000 shares (i.e., a reduction of 41,289 shares from the 59,289 shares described in (ii)(4) above). As a result, the Company issued a total of 5,775,299 shares of Company common stock to the Seller in connection with the Company's acquisition of Fyber.

As of March 31, 2022, the Company had recognized the acquisition purchase price liability of $50,000. The Company settled the obligation through the issuance of 1,205,982 shares of the Company's common stock on May 19, 2022.

Pursuant to certain German law on public takeovers, following the closing, the Company launched a public tender offer to the Minority Fyber Shareholders to acquire from them the Minority Fyber Shares. The tender offer was approved and published in July 2021, and is subject to certain minimum price rules under German law. The timing and the conditions of the tender offer, including the consideration of €0.84 per share offered to the Minority Fyber Shareholders in connection with the tender offer, was determined by the Company pursuant to the applicable Dutch and German takeover laws. During the fiscal year ended March 31, 2022, the Company purchased an additional $18,341 of Fyber's outstanding shares, resulting in an ownership percentage of Fyber of approximately 99.5% as of June 30, 2022. The Company expects to complete the purchase of the remaining outstanding Fyber shares during fiscal year 2023.

The delisting of Fyber's remaining outstanding shares on the Frankfurt Stock Exchange was completed on August 6, 2021.

The Company recognized $560 and $3,599 of costs related to the Fyber Acquisition in general and administrative expenses on the condensed consolidated statements of operations and comprehensive income / (loss) for the three months ended June 30, 2022 and 2021, respectively.

Segment Reporting

As of March 31, 2022, the Company operated through three segments, each of which was a reportable segment. The three segments were On Device Media ("ODM"), In-App Media - AdColony ("IAM-A"), and In-App Media-Fyber ("IAM-F"). Effective April 1, 2022, the Company made certain changes to its organizational and management structure that resulted in the following: (1) the renaming of the On Device Media segment to On Device Solutions and (2) the integration of IAM-A and IAM-F into a single segment. The integration of IAM-A and IAM-F was completed to drive operating efficiencies and revenue synergies. As a result of the integration of IAM-A and IAM-F, the Company reassessed its operating and reportable segments in accordance with ASC 280, *Segment Reporting.* Effective April 1, 2022, the Company reports its results of operations through the following two segments, each of which represents an operating and reportable segment, as follows:

- **On Device Solutions ("ODS") -** The Company re-named the ODM segment On Device Solutions to better reflect the nature of the segment's product offerings. This segment generates revenue from the delivery of mobile application media or content to end users. This segment provides focused solutions to all participants in the mobile application ecosystem that want to connect with end users and consumers who hold the device, including mobile carriers and device OEMs that participate in the app economy, app publishers and developers, and brands and advertising agencies. This segment's product offerings are enabled through relationships with mobile device carriers and OEMs.

- **App Growth Platform ("AGP") -** This segment consists of the previously reported IAM-A and IAM-F segments. AGP customers are primarily advertisers and publishers and the segment provides platforms that allows mobile app publishers and developers to monetize their monthly active users via display, native, and video advertising. The AGP platforms allow demand side platforms, advertisers, agencies, and publishers to buy and sell digital ad impressions, primarily through programmatic, real-time bidding auctions and, in some cases, through direct-bought/sold advertiser budgets. The segment also provides brand and performance advertising products to advertisers and agencies.

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker (“CODM”) in making decisions regarding resource allocation and assessing performance. The Company has determined that its Chief Executive Officer is the CODM.

Impact of COVID-19

Our results of operations are affected by economic conditions, including macroeconomic conditions, levels of business confidence, and consumer confidence. The worldwide spread of COVID-19, including the emergence of variants, has resulted, and may continue to result, in a global slowdown of economic activity, which may decrease demand for a broad variety of goods and services, including those provided by our clients, while also disrupting supply channels, sales channels and advertising and marketing activities for an unknown period of time until the COVID-19 pandemic is contained, or economic activity normalizes. With the current uncertainty in economic activity, the impact on our revenue and our results of operations is likely to continue, the size and duration of which we are currently unable to accurately predict. The extent to which COVID-19 impacts our operational and financial performance will depend on the impact to carriers and OEMs in relation to their sales of smartphones, tablets, and other devices, and on the impact to application developers and in-app advertisers. If COVID-19 continues to have a significant negative impact on global economic conditions over a prolonged period of time, our results of operations and financial condition could be adversely impacted. Presently, we are conducting business as usual. We will continue to actively monitor the situation and may take further actions that alter our business operations, as required, or that we determine are in the best interests of our employees, customers, partners, suppliers, and stockholders.

Impact of Inflation

Global inflation has increased significantly over the past year. In the United States ("U.S."), the Consumer Price Index for All Urban Consumers increased 9.1% over the twelve months ended June 30, 2022, as reported by the U.S. Bureau of Labor Statistics. Eurostat reported that consumer prices in the 19 countries sharing the Euro (the "Eurozone") rose 8.6% year-over-year in June 2022. Energy prices contributed significantly to the increases seen in both the U.S. and the Eurozone. The Company does not have physical supply chain or input costs and, as a result, we have been largely insulated from the inflationary cost pressures experienced globally in the past year. The Company has experienced limited inflationary cost impacts in two areas; however, those have not materially affected our financial results to date: (1) modest wage pressures when hiring certain positions, primarily in technology and product development and (2) carrier and OEM supply chain challenges.

In addition, like other advertising technology companies, we have seen a slowdown in digital advertising spending, which we believe is driven in part by the impact of inflation and fears of a recession and its potential impact on consumers. The slowdown in digital advertising spending is varied and depends on the geography, advertising type, operating system and business vertical.

We will continue to actively monitor the impact of inflation and the broader economic outlook on our operations and financial results and will take actions as deemed necessary.

RESULTS OF OPERATIONS

(Unaudited)

Net revenue

	Three months ended June 30,		
	2022	**2021**	**% of Change**
Net revenue			
On Device Solutions	$ 118,637	$ 120,383	(1.5)%
App Growth Platform	72,366	39,474	83.3 %
Elimination	(2,370)	(1,782)	33.0 %
Total net revenue	$ 188,633	$ 158,075	19.3 %

Comparison of the three months ended June 30, 2022 and 2021

Net revenue increased by $30,558 or 19.3% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions.

On Device Solutions

On Device Solutions revenue decreased by $1,746 or 1.5% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The decrease was primarily due to lower active daily users and revenue share for content media, mostly offset by higher revenue per device and additional distribution slots with carrier partners for application media. In addition, the Company completed a contract extension with an application media customer, resulting in a retroactive revenue share adjustment that increased net revenue by approximately $5,000 for the three months ended June 30, 2021.

App Growth Platform

App Growth Platform revenue increased by $32,892 or 83.3% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase was primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions. Please see Note 3, "Acquisitions," for further information regarding the acquisitions.

Costs of revenue and operating expenses

	Three months ended June 30,		
	2022	**2021**	**% of Change**
Costs of revenue and operating expenses			
License fees and revenue share	$ 87,367	$ 83,808	4.2 %
Other direct costs of revenue	8,915	4,468	99.5 %
Product development	14,133	12,924	9.4 %
Sales and marketing	16,058	13,736	16.9 %
General and administrative	37,725	23,994	57.2 %
Total costs of revenue and operating expenses	$ 164,198	$ 138,930	18.2 %

Comparison of the three months ended June 30, 2022 and 2021

Costs of revenue and operating expenses increased by $25,268 or 18.2% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions.

License fees and revenue share

License fees and revenue share are reflective of amounts paid to our carrier and OEM partners, as well as app publishers and developers, and are recorded as a cost of revenue. License fees and revenue share increased by $3,559 or 4.2% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions. License fees and revenue share as a percentage net revenue decreased to 46.1% for the three months ended June 30, 2022 compared to 53.0% for the three months ended June 30, 2021. The decrease in license fees and revenue share as a percentage of net revenue was primarily due to the increase in net revenue that is reported net of license fees and revenue share for the AGP segment.

Other direct costs of revenue

Other direct costs of revenue are comprised primarily of hosting expense directly related to the generation of revenue and depreciation expense accounted for under ASC 985-20, *Costs of Software to be Sold, Leased, or Otherwise Marketed* Other direct costs of revenue increased by $4,447 or 99.5% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021, primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions, which increased costs by approximately $2,808 and an increase of approximately $1,639 due to higher ad request volume for the AGP segment.

Product development

Product development expenses include the development and maintenance of the Company's product suite. Expenses in this area are primarily a function of personnel. Product development expenses increased by $1,209 or 9.4% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The three months ended June 30, 2021 product development expenses included acquisition-related costs of $1,455.

The increase in product development costs was primarily due to increased people related costs due to higher wages as the Company continues to make investments in its product development organization to support the Company's growth.

Sales and marketing

Sales and marketing expenses represent the costs of sales and marketing personnel, advertising and marketing campaigns, and campaign management. Sales and marketing expenses increased by $2,322 or 16.9% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. The increase in sales and marketing expenses was primarily due to the impact of a full quarter of operations of the AdColony and Fyber acquisitions.

General and administrative

General and administrative expenses represent management, finance, and support personnel costs in both the parent and subsidiary companies, which include professional services and consulting costs, in addition to other costs such as rent, stock-based compensation, and depreciation and amortization expense. General and administrative expenses increased by $13,731 or 57.2% for the three months ended June 30, 2022 compared to the three months ended June 30, 2021. General and administrative expenses include acquisition-related costs of $1,299 for the three months ended June 30, 2022 and $6,603 for the three months ended June 30, 2021. Excluding acquisition-related costs, general and administrative costs increased $18,203 for the three months ended June 30, 2022 compared to the three months ended June 30, 2021.

The increase in general and administrative expenses, excluding acquisition-related costs was primarily due to: (1) an increase of $10,502 attributable to the impact of a full quarter of operations of the AdColony and Fyber acquisitions and (2) an increase of $7,701 attributable to higher employee-related expenses for merit increases and stock-based compensation and stock-based compensation costs and depreciation and amortization related to capitalized internal-use software and intangible assets related to the Company's recent acquisitions.

Interest and other income / (expense), net

	Three months ended June 30, 2022	2021	% of Change
Interest and other income / (expense), net			
Interest expense, net	$ (4,082)	$ (1,157)	252.8 %
Foreign exchange transaction loss	(331)	(270)	22.6 %
Other income / (expense), net	72	(35)	305.7 %
Total interest and other income / (expense), net	$ (4,341)	$ (1,462)	196.9 %

Comparison of the three months ended June 30, 2022 and 2021

Interest expense, net

Interest expense, net, increased by $2,925 for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 due to higher average outstanding borrowings and interest rates. Interest expense also includes the amortization of debt issuance costs related to our New Credit Agreement.

Liquidity and Capital Resources

Our primary sources of liquidity are cash from operations and debt. As of June 30, 2022, we had cash in total of approximately $89,839 and $123,866 available to draw under the New Credit Agreement with BoA. The maturity date of the New Credit Agreement is April 29, 2026, and the outstanding balance of $476,134 is classified as long-term debt, net of debt issuance costs of $3,147, on our condensed consolidated balance sheet as of June 30, 2022. We generated $36,629 in cash flows from operating activities for the three months ended June 30, 2022.

Our ability to meet our debt service obligations and to fund working capital, capital expenditures, and investments in our business will depend upon our future performance, which will be subject to financial, business, and other factors affecting our operations, many of which are beyond our control, availability of borrowing capacity under our credit facility, and our ability to access the capital markets. For example, these factors could include general and regional economic, financial, competitive, legislative, regulatory, and other factors. We cannot ensure that we will generate cash flow from operations, or that future borrowings or the capital markets will be available, in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional indebtedness or equity capital, or restructure or refinance our indebtedness. We may not be able to affect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations.

The Company believes it will generate sufficient cash flow from operations and has the liquidity and capital resources to meet its business requirements for at least twelve months from the filing date of this Quarterly Report on Form 10-Q.

Hosting Agreements

The Company enters into hosting agreements with service providers and in some cases, those agreements include minimum commitments that require the Company to purchase a minimum amount of service over a specified time period ("the minimum commitment period"). The minimum commitment period is generally one-year in duration and the hosting agreements include multiple minimum commitment periods. Our minimum purchase commitments under these hosting agreements total approximately $205,269 over the next five years.

Outstanding Secured Indebtedness

The Company’s outstanding secured indebtedness under the New Credit Agreement is $476,134 as of June 30, 2022. See "Recent Developments - Credit Agreement" for additional information on the New Credit Agreement. The Company's ability to borrow additional amounts under its New Credit Agreement could have significant negative consequences, including:

- increasing the Company’s vulnerability to general adverse economic and industry conditions;
- limiting the Company’s ability to obtain additional financing;
- violating a financial covenant, potentially resulting in the indebtedness to be paid back immediately and thus

negatively impacting our liquidity;
- requiring additional financial covenant measurement consents or default waivers without enhanced financial performance in the short term;
- requiring the use of a substantial portion of any cash flow from operations to service indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;
- limiting the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry in which it competes, including by virtue of the requirement that the Company remain in compliance with certain negative operating covenants included in the credit arrangements under which the Company will be obligated as well as meeting certain reporting requirements; and
- placing the Company at a possible competitive disadvantage to less leveraged competitors that are larger and may have better access to capital resources.

Our credit facility also contains a maximum consolidated secured net leverage ratio and minimum consolidated interest coverage ratio. There can be no assurance we will continue to satisfy these ratio covenants. If we fail to satisfy these covenants, the lender may declare a default, which could lead to acceleration of the debt maturity. Any such default would have a material adverse effect on the Company.

The collateral pledged to secure our secured debt, consisting of substantially all of our and our U.S. subsidiaries' assets, would be available to the secured creditor in a foreclosure, in addition to many other remedies. Accordingly, any adverse change in our ability to service our secured debt could result in an event of default, cross default, and foreclosure or forced sale. Depending on the value of the assets, there could be little, if any, assets available for common stockholders in any foreclosure or forced sale.

Cash Flow Summary

	Three months ended June 30, 2022	Three months ended June 30, 2021	% of Change
	(in thousands)		
Consolidated statements of cash flows data:			
Net cash provided by / (used in) operating activities	**$ 36,629**	**$ (28,997)**	**(226.3)%**
Business acquisitions, net of cash acquired	—	(126,604)	100.0 %
Capital expenditures	(6,413)	(4,364)	(47.0)%
Net cash used in investing activities	**$ (6,413)**	**$ (130,968)**	**95.1 %**
Proceeds from borrowings	—	237,041	(100.0)%
Payment of debt issuance costs	—	(2,988)	100.0 %
Options and warrants exercised	296	695	(57.4)%
Payment of withholding taxes for net share settlement of equity awards	(4,357)	—	(100.0)%
Repayment of debt obligations	(60,508)	(19,680)	(207.5)%
Net cash provided by / (used in) financing activities	**$ (64,569)**	**$ 215,068**	**130.0 %**

Operating Activities

Cash provided by / (used in) operating activities was $36,629 for the three months ended June 30, 2022, compared to $(28,997) for the three months ended June 30, 2021. The increase of $65,626 was due to the following:

- $14,428 increase due to higher non-cash charges, primarily for depreciation and amortization and stock-based compensation expense. These increases were primarily due to the impact of the AdColony and Fyber acquisitions on operating activities post-acquisition including accelerated amortization of trade name assets amidst rebranding and a larger employee base receiving share based compensation;

- $50,493 increase for changes in operating assets and liabilities, primarily due to lower net working capital, including the payout of compensation related to the AdColony and Fyber acquisitions for the three months ended June 30, 2021; and

- $705 increase in net income;

Investing Activities

For the three months ended June 30, 2022, net cash used in investing activities was approximately $6,413, representing a decrease of $124,555. Current period cash used in investing activities is comprised entirely of capital expenditures, related mostly to internally-developed software, of $6,413. For the three months ended June 30, 2021, net cash used in investing activities was approximately $130,968, comprised of cash expenditures for business acquisitions, net of cash acquired, of $126,604 related to our acquisitions of AdColony and Fyber, and capital expenditures, related mostly to internally-developed software, of $4,364. The $2,049 increase in capital expenditures was due to a combination of continued investments in product development for our legacy ODS segment as well as development activities at our AGP segment..

Financing Activities

For the year ended June 30, 2022, net cash used in financing activities was approximately $64,569, comprised of , repayment of debt obligations of $60,508, payment of withholding taxes for net share settlement of equity awards of $4,357, and options exercised of $296. For the period ended June 30, 2021, net cash provided by financing activities was approximately $215,068, comprised of repayment of debt obligations of $19,680, offset by proceeds from borrowings of $237,041 primarily used for the acquisitions of AdColony and Fyber, and proceeds from the exercise of stock options of $695.

Critical Accounting Policies and Estimates

Management’s discussion and analysis of our financial condition and results of operations is based on our unaudited financial statements. The preparation of these financial statements is based on management's selection and application of accounting policies, some of which require management to make judgments, estimates, and assumptions that affect the amounts reported in the financial statements and notes. For more information regarding our critical accounting policies and estimates, please see Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies,” of our Annual Report on Form 10-K for the fiscal year ended March 31, 2022, and Note 2, "Basis of Presentation and Summary of Significant Accounting Policies," of this Quarterly Report on Form 10-Q for our fiscal first quarter ended June 30, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations both within the United States and internationally and we are exposed to market risks in the ordinary course of our business - primarily interest rate and foreign currency exchange risks.

Interest Rate Fluctuation Risk

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Our cash and cash equivalents consist of cash and deposits, which are sensitive to interest rate changes.

Our borrowings under our credit facility are subject to variable interest rates and thus expose us to interest rate fluctuations, depending on the extent to which we utilize the credit facility. If market interest rates materially increase, our results of operations could be adversely affected. A hypothetical increase in market interest rates of 100 basis points would result in an increase in our interest expense of $10 per year for every $1,000 of outstanding debt under the credit facility.

Foreign Currency Exchange Risk

We have foreign operations, that expose us to risk from the effects of exchange rate movements of respective foreign currencies, which may affect future revenue, costs and cash flows. Foreign currency exchange risk is the risk that our results of operations or financial position could be affected by changes in exchange rates. In certain of our foreign operations, we transact primarily in the U.S. Dollar, including our net revenue, license fees and revenue share, and employee related compensation costs, which reduces our exposure to foreign currency exchange risk. In addition, gains / (losses) related to translating certain cash balances, trade accounts receivable and payable balances, and intercompany balances impact our net income. As our foreign operations expand, our results may be more impacted by fluctuations in the exchange rates of the currencies in which we do business.

ITEM 4. CONTROLS AND PROCEDURES

This Report includes the certifications of our Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). See Exhibits 31.1 and 31.2 to this Quarterly Report on Form 10-Q. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures designed to ensure information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer, who is the principal executive officer, and the Company's Chief Financial Officer, who is the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As previously disclosed in Item 9A. Disclosure Controls and Procedures of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2022, management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2022. Based on this evaluation, management concluded, as of such date, the Company's disclosure controls and procedures were not effective due to the existence of the material weakness in its internal control over financial reporting therein described.

Management concluded the Company's internal control for business combinations did not include a control adequately designed to ensure acquiree accounting policies, as they relate to presentation and classification, were conformed to those of the Company and GAAP.

With the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2022. Based on this evaluation, as a result of the identification of the material weakness described above, management concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2022.

Remediation Plans for Material Weakness in Internal Control over Financial Reporting

Prior to the identification of the material weakness, management, with oversight from our audit committee, completed a review of the recently acquired business' product lines with the assistance of a large, third-party accounting firm as part of the financial close and reporting process. This included a review, at the acquired businesses, of representative customer contracts and agreements, supply/publisher agreements, and each product line's business model and operations with key operations personnel. Further, management had taken several actions to strengthen the Company's control environment, including the hiring of a new Chief Accounting Officer, and the creation of and hiring for key positions, including a Senior Manager of Internal Audit/ICFR and Director of Global Tax.

The Company will also improve its policies and procedures by:

- Strengthening the Company's procedures for reviewing accounting policies of material acquired companies, inclusive of the accounting for revenue, through initial reviews during the due diligence period and alignment of accounting policies prior to the first interim reporting date;

- Standardizing customer and publisher contract review processes to ensure consistent accounting and reporting of revenue transactions; and

- Formalizing the approval process for making changes to the global chart of accounts and accounting systems to ensure the accurate classification of financial statement amounts, including changes resulting from material acquisitions.

Management believes these additional steps will be effective in remediating the material weakness described above and may take additional measures to address the material weakness or modify the remediation plan described above, if deemed necessary. Management continues to make progress implementing the remediation steps discussed above.

Changes in Internal Control Over Financial Reporting

Other than the revenue recognition review process described above, there were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2022, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting other than the ongoing remediation steps noted above.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company may be involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business.

On June 6, 2022 and July 21, 2022, shareholders of the Company filed class action complaints against the Company and certain of our officers in the Western District of Texas. The claims allege violations of certain federal securities law. The plaintiffs in both cases seek a ruling that the cases may proceed as class actions and seek unspecified damages and attorney fees and other costs. The Company and individual defendants deny any allegations of wrongdoing and we plan to vigorously defend against the claims asserted in these complaints. Due to the early stages of the complaints, management is unable to assess a likely outcome or potential liability at this time.

ITEM 1A. RISK FACTORS

The Company is not aware of any material changes from the risk factors set forth under Part I, Item 1A, "Risk Factors," in its Annual Report on Form 10-K for the fiscal year ended March 31, 2022, filed with the Securities and Exchange Commission on June 6, 2022.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As previously reported, pursuant to the earn-out provision in the Fyber Acquisition Sale and Purchase Agreement, the Company agreed, contingent upon Fyber's net revenues (revenues less associated license fees and revenue share) being equal to or higher than $100.0 million for the 12-month earn-out period ending on March 31, 2022, as determined in the manner set forth in the Sale and Purchase Agreement, to issue to the sellers a certain number of shares of the Company's common stock, which value of such shares, based on the weighted average share price of the Company's common stock for the 30-days prior to the end of the earn-out period, and, under certain circumstances, an amount of cash, the aggregate value of which will not exceed $50.0 million. On July 25, 2022, effective May 19, 2022, pursuant to the terms of the earn-out provision of the Sale and Purchase Agreement, the Company issued a former Fyber executive 24,120 newly-issued shares of the Company's common stock (the "Earn-Out Shares") as payment in full of the earn-out amount due to the former Fyber executive under the Sale and Purchase Agreement based on the full achievement of the earn-out.

The Earn-Out Shares were issued pursuant to the Sale and Purchase Agreement in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, to the former Fyber executive. None of the Earn-Out Shares have been registered under the Securities Act, or applicable state securities laws, and none may be offered or sold in the United States absent registration under the Securities Act or an exemption from such registration requirements..

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Fifth Amendment to Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 21, 2022).
31.1	Certification of William Stone, Principal Executive Officer. *
31.2	Certification of Barrett Garrison, Principal Financial Officer. *
32.1	Certification of William Stone, Principal Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
32.2	Certification of Barrett Garrison, Principal Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
101	INS XBRL Instance Document. *
101	SCH XBRL Schema Document. *
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document. *
101	DEF XBRL Taxonomy Extension Definition Linkbase Document. *
101	LAB XBRL Taxonomy Extension Label Linkbase Document. *
101	PRE XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith.
\+ In accordance with SEC Release No. 33-8212, these exhibits are being furnished, and are not being filed, as part of this Quarterly Report on Form 10-Q or as a separate disclosure document, and are not being incorporated by reference into any Securities Act registration statement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Digital Turbine, Inc.

Dated: August 8, 2022 By: /s/ William Gordon Stone III

William Gordon Stone III
Chief Executive Officer
(Principal Executive Officer)

Digital Turbine, Inc.

Dated: August 8, 2022 By: /s/ James Barrett Garrison

James Barrett Garrison
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, William Gordon Stone III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

August 8, 2022	By:	/s/ William Gordon Stone III
		William Gordon Stone III Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, James Barrett Garrison, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

August 8, 2022	By:	/s/ James Barrett Garrison
		James Barrett Garrison Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the "Company"), a Delaware corporation, does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the period ending June 30, 2022, of the Company (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2022	By:	/s/ William Gordon Stone III
		William Gordon Stone III Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc. (the "Company"), a Delaware corporation, does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ending June 30, 2022, of the Company (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 8, 2022	By:	/s/ James Barrett Garrison
		James Barrett Garrison Chief Financial Officer (Principal Financial Officer)